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Agreement Between the
UNITED STATES OF AMERICA
and JORDAN

Signed at Amman August 28, 1978

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JORDAN

Amman Water and Sewerage

Agreement signed at Amman August 28, 1978;
Entered into force August 28, 1978.

A.I.D. Loan Numbers: 278-K-023A
278-K-023B

Project Number :278-0220

PROJECT

LOAN AGREEMENT

BETWEEN

THE HASHEMITE KINGDOM OF JORDAN

AND THE

UNITED STATES OF AMERICA

FOR

AMMAN WATER AND SEWERAGE

DATE: AUGUST 28, 1978

TIAS 9491

TABLE OF CONTENTS

PROJECT LOAN AGREEMENT

	PAGE	[Pages herein]
Article 1: The Agreement	1	5
Article 2: The Project	1	5
SECTION 2.1. Definition of Project	1	5
Article 3: Financing	1	5
SECTION 3.1. The Loan	1	5
SECTION 3.2. Incremental Loan	1	5
SECTION 3.3. Borrower Resources for the Project.	2	6
SECTION 3.4. Project Assistance Completion Date	2	6
Article 4: Loan Terms	2	6
SECTION 4.1. Interest Rate and Terms of Repayment	2	6
SECTION 4.2. Application, Currency, and Place of Payment	3	7
SECTION 4.3. Prepayment	3	7
SECTION 4.4. Renegotiation of Terms	3	7
SECTION 4.5. Termination on Full Payment	3	7
Article 5: Conditions Precedent to Disbursement	3	7
SECTION 5.1. Initial Disbursement	3	7
SECTION 5.2. Disbursement for Construction Services for the King Talal Water Transmission System	4	8
SECTION 5.3. Disbursement for Other Construction Services	5	9
SECTION 5.4. Notification	5	9
SECTION 5.5. Terminal Dates for Conditions Precedent	5	9
Article 6: Special Covenants	6	10
SECTION 6.1. Project Evaluation	6	10
SECTION 6.2. Water Monitoring System	6	10
SECTION 6.3. Sludge Disposal	6	10
SECTION 6.4. Increased Sewage Treatment	6	10
SECTION 6.5. Access of Lower Income Families	7	11
SECTION 6.6. Annual Withdrawal from King Talal Reservoir	7	11
SECTION 6.7. Solid Waste Disposal	7	11
SECTION 6.8. Rate Structure	7	11
Article 7: Procurement Source	7	11
SECTION 7.1. Foreign Exchange Costs	7	11
SECTION 7.2. Local Currency Costs	7	11
Article 8: Disbursements	8	12
SECTION 8.1. Disbursement for Foreign Exchange Costs	8	12

	PAGE	[Pages Herein]
SECTION 8.2. Disbursement for Local Currency Costs	8	12
SECTION 8.3. Other Forms of Disbursement	9	13
SECTION 8.4. Rate of Exchange	9	13
SECTION 8.5. Date of Disbursement	9	13
Article 9: Miscellaneous	9	13
SECTION 9.1. Investment Guaranty Project Approval	9	13
SECTION 9.2. Communications	9	13
SECTION 9.3. Representatives	10	14
SECTION 9.4. Standard Provisions Annex[1]	10	14

[1] Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

A.I.D. Project No. 278-0220

Project Loan Agreement

Date: August 28, 1978

Between

The Hashemite Kingdom of Jordan ("Borrower")

And

The United States of America, acting through the
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1 Definition of Project. The Project, which is further described in Annex 1, will consist of assisting the Hashemite Kingdom of Jordan in the overall expansion of the water supply, water distribution sewerage and sewage treatment systems for Amman. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.3, without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] agrees to lend the Borrower under the terms of this Agreement not to exceed Twenty Eight Million Five Hundred Thousand United States ("U.S.") dollars ($28,500,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal."

SECTION 3.2. Incremental Loan. An incremental Loan of $10,500,000 is expected to be made for the Project subject to the availability of funds to A.I.D. for this purpose. Such incremental loan is expected to be made by amendment to this agreement.

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

SECTION 3.3. Borrower Resources for the Project. (a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner. (b) The resources provided by Borrower for the Project will be not less than the equivalent of U.S. $27,445,000, including costs borne on an "in-kind" basis.

SECTION 3.4. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is December 31, 1981, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part, thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Loan Terms.

SECTION 4.1. Interest Rate and Terms of Repayment. The amount loaned will consist of (1) an amount not to exceed $19.0 Million (Loan Part A), and (2) an amount not to exceed $9.5 Million (Loan Part B). The Borrower shall repay Loan Part A to A.I.D. in United States Dollars within forty (40) years from the date of the first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Borrower shall repay Loan Part B in United States Dollars within thirty (30) years from the first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to A.I.D. in United States Dollars interest from the date of first disbursement of Loan Part A and Loan Part B at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loans and on any due and unpaid interest accrued thereon.

SECTION 4.2. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.3. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.4. Renegotiation of Terms. (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of The Hashemite Kingdom of Jordan which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of National Planning Council (NPC) in The Hashemite Kingdom of Jordan.

SECTION 4.5. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5: Conditions Precedent to Disbursement

SECTION 5.1. Initial Disbursement. Prior to any disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which any disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.3, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) A copy of an executed and delivered Reloan Agreement between the Borrower and AWSA by which the Borrower agrees to make available to AWSA the proceeds of the Loan for the purposes stated in Section 2.1 and Annex 1 herein.

(d) A plan for the utilization of the King Talal Dam reservoir, including:

i. Estimated monthly withdrawal schedule for Amman municipal use and for irrigation to 1989; and

ii. Evidence of agreement between AWSA and Jordan Valley Authority (JVA) for the allocation of water from the reservoir in accordance with the schedule specified in subparagraph (i), including the involvement of JVA in regulating extraction from King Talal;

(e) (i) an integrated project implementation schedule; and
(ii) evidence of financial commitments by the Borrower, the International Bank for Reconstruction and Development ("IBRD") and the Saudi Fund for the King Talal transmission system and the water distribution and sewerage system;

(f) An executed contract for project implementation assistance; and

(g) Evidence that the overhead power line and other electrical installations not included in the construction contracts under the Project but necessary for the operation of the King Talal water transmission system will be installed on a timely basis.

SECTION 5.2. Disbursement for Construction Services for the King Talal Water Transmission System.

Prior to any disbursement, or to the issuance of any commitment under the Loan to finance construction services for the King Talal Water Transmission System, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.

(a) An executed construction contract for the work to be financed under the Loan;

(b) An executed contract for construction supervision;

(c) A design for disposal of waste water and chemical sludge from water pre-treatment and treatment;

(d) A training plan for the operation and maintenance of the King Talal Water Transmission System;

(e) An executed contract for the water intake structure and the water transmission pipeline; and

(f) Evidence that AWSA has unencumbered use of the right-of-way for the pipeline and all other components of the system.

SECTION 5.3. Disbursement for Other Construction Services.

Prior to any disbursement, or to the issuance of any commitment under the Loan to finance construction services for areas 1S, SW. and Wahdat/Shelieh, and the expansion of the sewage treatment plant, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D. the following, prior to disbursement for each particular contract:

(a) An executed contract for supervisory Engineering services for the particular construction contract;

(b) An executed construction contract;

(c) Evidence of unencumbered use of the right-of-way or other land required for carrying out the particular contract; and

(d) For construction services related to the expansion of the sewage treatment plant, a training plan for the operations and maintenance of the facilities to be constructed/installed under the Project.

SECTION 5.4. Notification. When A.I.D. has determined that the conditions precedent specified in Section 5.1, 5.2 and 5.3 have been met, it will promptly notify the Borrower.

SECTION 5.5. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 5.1 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

(b) If all of the conditions specified in Sections 5.2 and 5.3 have not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

Article 6: Special Covenants

SECTION 6.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 6.2. Water Monitoring System. Borrower covenants that within one year from the effective date of this Agreement, a water monitoring system will be established to monitor the quality and quantity of water in the King Talal Reservoir, the upper and lower aquifers, and the Zerqa River to the King Talal Reservoir. As part of the monitoring system, Borrower agrees to undertake a review of industrial and municipal pollution of the Zerqa River above the King Talal Dam and to establish procedures to maintain mutually acceptable standards of water quality of the Zerqa River.

SECTION 6.3. Sludge Disposal. Borrower covenants that within one year following the effective date of this Agreement, a plan for the disposal of dried sludge from the sewage treatment plant will be prepared and reviewed with A.I.D., and within two years following the effective date of this Agreement the agreed upon plan will be implemented.

SECTION 6.4. Increased Sewage Treatment. Borrower covenants to undertake, within one year from the effective date of this Agreement, a feasibility study to review the requirements for expanding the treatment of the increased quantity of piped sewage which will result from the Project. Upon completion, Borrower, in consultation with A.I.D., will prepare and implement a plan to expand the sewage treatment plant.

SECTION 6.5. Access of Lower Income Families. Borrower will undertake, within one year from the effective date of this Agreement, a study of the financial constraints limiting the access of lower income families to the water and sewerage system and identify means of assisting those families as needed. The results of the study will be reviewed by the Borrower and A.I.D., following which, Borrower will establish procedures, as agreed between the Borrower and A.I.D. and within a mutually acceptable time frame, to assure access of lower income families.

SECTION 6.6. Annual Withdrawal from King Talal Reservoir. If Borrower determines that the total annual withdrawal from the King Talal Reservoir will exceed the level stipulated in the reservoir operational plan submitted in conformity with the conditions precedent to initial disbursement, Borrower agrees to review the proposed revised operational plan with A.I.D., including an assessment of the environmental implications of the anticipated increased total annual withdrawal and to take such steps as may have been agreed upon in such review.

SECTION 6.7. Solid Waste Disposal. Borrower covenants to undertake, within one year from the effective date of this Agreement, a study of solid waste disposal within Amman, including the relationship between current solid waste disposal and Amman's water resources. Results of the study will be reviewed by Borrower and A.I.D. and the agreed results of such review incorporated in procedures for disposal of Amman's solid wastes.

SECTION 6.8. Rate Structure. Borrower agrees to review with A.I.D. possible rate schedules for water and sewerage service during the course of the Project and devise a rate structure which will make the AWSA financially viable.

Article 7: Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services (" Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 7.2. Local Currency Costs. Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of good and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in The Hashemite Kingdom of Jordan ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 8: Disbursements

SECTION 8.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 8.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement hereunder may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase; or

(2) by A.I.D. (A) requesting the Borrower to make available the local currency for such costs, and (B) thereafter making available to the Borrower through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Borrower or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Borrower, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 8.3. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 8.4. Rate of Exchange. Except as may be more specifically provided under Section 8.2, if funds provided under the Loan are introduced into The Hashemite Kingdom of Jordan by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of The Hashemite Kingdom of Jordan at the highest rate of exchange which, at the time the conversion is made, is not unlawful in The Hashemite Kingdom of Jordan.

SECTION 8.5. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2 (b)(1); or (c) if local currency is obtained in accordance with Section 8.2(b)(2), on the date on which A.I.D. opens or amends the Special Letter of Credit there referred to.

Article 9: Miscellaneous

SECTION 9.1. Investment Guaranty Project Approval

Construction work to be financed under this Agreement is agreed to be a project approved by The Hashemite Kingdom of Jordan pursuant to the agreement between it and the United States of America on the subject of investment guaranties, and no further approval by The Hashemite Kingdom of Jordan will be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

SECTION 9.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower:

Mail Address: National Planning Council
Amman, Jordan

Alternate address for telegrams:

National Planning Council
Amman, Jordan

To A.I.D.:

Mail Address: USAID Mission
Amman, Jordan

Alternate address for telegrams:

USAID AMMAN

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Borrower, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

SECTION 9.3. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the President, National Planning Council and A.I.D. will be represented by the individual holding or acting in the office of Mission Director in Jordan, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 9.4. Standard Provision Annex. A "Project Loan Standard Provision Annex" (Annex 2)[1] is attached to and forms part of this Agreement.

[1] See footnote 1, p. 4.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN

By: Dr. Hanna Odeh

Title: President, National Planning Council

UNITED STATES OF AMERICA

By: Roscoe S. Suddarth

Title: Chargé d'Affaires, a.i.

PROJECT DESCRIPTION

1. OBJECTIVE: The objective of the Project is to expand the capacity of the Amman Water and Sewerage Authority to provide a reliable supply of water and increased sewerage to the city Amman. It is anticipated that expansion of the water distribution and sewerage systems within Amman will increase the number of persons connected to piped water from an estimated 52 percent in 1977 to 75 percent by 1981 and increase the number of persons connected to the sewerage system from 17 percent in 1977 to 54 percent by 1981. The expansion of the present sewerage treatment plant to be accomplished under this Project is expected to be sufficient to handle the anticipated increase in sewage resulting from expansion of the sewerage system. In addition, the Jordan Electric Authority will construct an electrical transmission line to serve the water transmission system from King Talal Dam to Amman. The cost of this activity is not included in the Project cost estimates. AWSA will not be charged for the line but will pay a flat rate per kilowatt hour for power.

2. PROJECT COMPONENTS: The Project has the following physical facilities and elements of technical assistance as components:

(a) Construction of a water transmission system from the King Talal Reservoir to Amman, including the water intake structure, pipeline, water treatment facilities, pumping station and reservoir.

(b) Construction of approximately 276 kilometers of water mains, laterals, house connection, and related pumping stations and reservoirs.

(c) Construction of approximately 264 kilometers of sewer mains, laterals, and house connections.

(d) Expansion and improvement of the sewage treatment plant.

(e) All engineering services required to design the facilities listed above and to supervise their construction, the installation of all equipment and supervision of the testing of the equipment and facilities.

3. EVALUATION: The objective of the Project is to expand the capacity of the Amman Water and Sewerage Authority (AWSA) to provide a reliable supply of water and increased sewerage services to the city of Amman. The following indicators will be utilized to verify achievement of Project objectives in 1981:

(a) Water of acceptable quality available on regular basis to consumers connected to the AWSA System;

(b) Up to 15 million cubic meters figure of water of adequate quality supplied to the AWSA system from the King Talal reservoir.

(c) Household water connections reach approximately 75 percent of the population in Amman.

(d) Household sewer connections reach approximately 54 percent of the population in Amman.

(e) Sewerage treatment plant operating within acceptable standards in terms of quality of effluent and disposal of sludge.

(f) Unaccounted - for water losses reduced from 38 percent of total water produced in 1977 to 30 percent.

AWSA records will be the major source of information for the verification of achievement of objectives. In the final Project report to be prepared by AWSA on completion of the Project, there will be provided sufficient information related to the above indicators to allow evaluation of the project.

4. COST ESTIMATE:

(a) The total cost of the Project as described above in paragraph 2, above, is estimated at approximately $99,400,000 including contingencies escalation and interest during construction.

(b) The cost of the Project is expected to be financed as follows:

	(U.S. $000)
A.I.D.	$39,000
Saudi Financed Fund	19,000
EDA	14,000
AWSA	27,400
TOTAL:	$99,400

5. PROJECT SCHEDULE: The following are estimated for completion of construction for the major elements of the Project:

Executed Contract for Water Transmission System	November 1978
Initial Contracts for Amman City Water and Sewerage Systems	November 1978
Contract for Sewage Treatment Plant	November 1978
Contract for Construction Management Services	November 1978